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February 22, 2002

Mary L. Cottrell, Secretary  
Department of Telecommunications & Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, Massachusetts 02110

Re: Cambridge Electric Light Company  
D.T.E. 01-94

Dear Madam Secretary:

Cambridge Electric Light Company (the "Company") is pleased to supply its responses to the information requests listed on the attached sheet.

Sincerely,

A handwritten signature in black ink that reads "John Cope-Flanagan". The signature is written in a cursive, flowing style.

John Cope-Flanagan

Enclosures

cc: Jesse S. Reyes, Hearing Officer (2 copies)  
Esat Serhat Guney, Analyst, Rates and Revenue Requirements Division  
Joseph Tiernan, Analyst, Rates and Revenue Requirements Division  
Miguel Maravi, Analyst, Rates and Revenue Requirements Division  
Alexander Cochis, Esq., Assistant Attorney General  
Carrol R. Wasserman, Esq.  
David Rosenzweig, Esq.  
Stephen Klionsky, Esq.

Responses to Information Requests

DTE-CEL-2-4  
DTE-CEL-2-6  
DTE-CEL-2-7  
DTE-CEL-2-13  
DTE-CEL-2-18

February 22, 2002

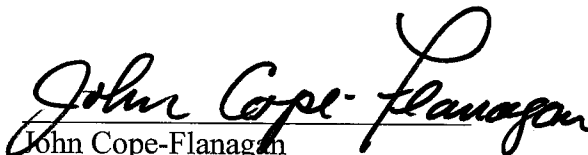
**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

Cambridge Electric Light Company

D.T.E. 01-94

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing responses to information requests in accordance with Department rules.



John Cope-Flanagan

Attorney for

NSTAR Electric & Gas Corporation

800 Boylston St., Floor 17

Boston, MA 02199

DATED: February 22, 2002

Information Request DTE-CEL-2-4

Please refer to the Petition at paragraph 7. State the annual decommissioning costs for each of the years 1991-2001.

Response

Vermont Yankee's decommissioning costs for 1991-2001 were as follows:

1991	\$8,161,231
1992	\$10,663,494
1993	\$11,303,304
1994	\$11,981,502
1995-9	\$12,897,962 per year
2000	\$17,777,380
2001	\$13,470,764

Information Request DTE-CEL-2-6

Please refer to the Petition at paragraph 9. Explain why under the PSA Vermont Yankee agreed to purchase 100 percent of the actual net output of the Station. Did Vermont Yankee and Entergy consider options for purchasing different levels of the station's output? If so, explain why a level of 100 percent was chosen. State all reasons why this PPA was necessary to Vermont Yankee.

Response

Vermont Yankee did consider sale options in addition to the inclusion of a power purchase agreement ("PPA") for 100 percent of the Station's output. In its bid specifications, Vermont Yankee invited offers to purchase the Station subject to a life-of-unit PPA for 55 percent of the net output of the Station or, in the alternative, a life-of-unit PPA for 100 percent of the net output of the Station. Bidders were also informed that they could submit non-conforming bids if they chose, which would have permitted the bidders to specify a different percentage.

The 55 percent level of the output corresponds to the output that the in-state Vermont sponsors (Central Vermont Public Service Corporation and Green Mountain Power Corporation) are entitled to under their existing power contracts with Vermont Yankee. The Vermont sponsors indicated from the commencement of the auction that they required a PPA corresponding to their entitlements. The non-Vermont sponsors (Cambridge Electric Light Company, Central Maine Power Company, New England Power Company, and the three Northeast Utilities companies -- Western Massachusetts Electric Company, The Connecticut Light and Power Company, and Public Service Company of New Hampshire) preferred not to take a PPA, but asked Vermont Yankee to accept bids both with and without PPAs for 100 percent of the Station's output so they could evaluate whether the value for their customers would be greater if they took a PPA or did not take a PPA.

When the bids were received, Cambridge Electric's evaluation was that the bid for the offer that was accepted (which included a 100 percent PPA) was the bid offering the best terms having a likelihood of receiving favorable regulatory approvals. After discussion, the Vermont Yankee Board of Directors approved that offer.

Information Request DTE-CEL-2-7

Please refer to CEL-RHM-1 at page 12. Please produce all statements from Entergy that the proposal "was conditioned on purchasers continuing to buy power from the Station."

Response

The binding offer submitted by Entergy in the auction, with forms of agreements to be executed, included a power purchase agreement ("PPA"). The Entergy bid that was ultimately accepted offered the best value for Cambridge's customers (and included a PPA for 100 percent of the net output of the Station, with terms specified with the binding bid). See Attachment AG-1-3(a) for a copy of the Entergy bid, and Attachment AG-1-4 for a copy of JPMorgan's Review of Offers.

Information Request DTE-CEL-2-13

Please refer to Exhibit CEL-BKR-2 at pages 1 and 2. Provide tables identical to the tables in the referenced exhibit, with the addition of the years 1998 through 2001. Itemize each row of the tables and include and underline every cost associated with the 2001 Amendatory Agreement which is not already included in the existing power entitlement obligations between Cambridge and Vermont Yankee.

Response

Please refer to Attachment DTE-CEL-2-13 for a table that includes the years 1998 through 2001. These costs were incurred under the existing Power Contract between Cambridge and Vermont Yankee. There have been no costs incurred under the 2001 Amendatory Agreement, which will become effective only upon the closing of the proposed sales transaction between Vermont Yankee and Entergy.

This historical data is the same under both the continued operation and the sale scenario. Please refer to the Company's response to Information Request DTE-CEL-1-1 for a discussion of the costs contained in this analysis.

Cambridge Electric Light Company  
Vermont Yankee Continued Operation  
(\$000's)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Generation (MWH)															
Outage	3,358,696	4,059,107	4,548,065	4,171,120	3,794,000	4,293,000	3,805,000	3,794,000	4,293,000	3,794,000	3,805,000	4,293,000	3,794,000	3,794,000	1,070,000
Revenue Requirements:															
Capacity:															
Base Operating Expense	\$ 112,279	\$ 129,072	\$ 96,335	\$ 109,616	\$ 117,383	\$ 95,527	\$ 121,040	\$ 124,760	\$ 104,352	\$ 132,539	\$ 136,608	\$ 114,166	\$ 142,216	\$ 127,678	\$ 85,702
Depreciation	17,059	15,972	14,349	14,751	14,896	14,776	15,238	15,645	16,831	17,755	18,732	20,098	22,294	26,270	8,114
Decommissioning	12,898	12,898	16,777	13,471	11,218	19,517	19,517	19,517	19,517	19,517	23,518	23,518	23,518	23,518	5,880
Other	37,111	32,036	29,926	23,475	31,813	33,769	35,305	34,460	30,653	29,054	27,665	27,202	24,116	22,356	11,400
Total Capacity	179,347	189,978	157,387	161,313	175,310	163,569	191,100	194,382	171,353	198,865	206,521	184,984	212,144	199,822	111,096
Total Fuel Expense	15,902	18,834	20,907	17,527	17,915	20,014	18,159	18,298	20,917	17,471	18,544	27,283	24,216	29,127	10,479
Total Revenue Requirement	\$ 195,249	\$ 208,812	\$ 178,294	\$ 178,840	\$ 193,225	\$ 183,603	\$ 209,259	\$ 212,680	\$ 192,270	\$ 216,336	\$ 225,065	\$ 212,267	\$ 236,360	\$ 228,849	\$ 121,575
CELCO Share @	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
CELCO Generation - MWH	83,967	101,478	113,702	104,278	94,850	107,325	95,125	94,850	107,325	94,850	95,125	107,325	94,850	94,850	26,750
CELCO Revenue Requirement															
Capacity															
Fuel Expense	\$ 4,484	\$ 4,749	\$ 3,935	\$ 4,033	\$ 4,383	\$ 4,090	\$ 4,778	\$ 4,860	\$ 4,284	\$ 4,972	\$ 5,163	\$ 4,625	\$ 5,304	\$ 4,996	\$ 2,777
Total CELCO Revenue Req.	398	471	523	438	448	500	454	457	523	437	464	682	605	728	262
	\$ 4,882	\$ 5,220	\$ 4,458	\$ 4,471	\$ 4,831	\$ 4,590	\$ 5,232	\$ 5,317	\$ 4,807	\$ 5,409	\$ 5,627	\$ 5,307	\$ 5,909	\$ 5,724	\$ 3,039
CELCO \$/KWH	\$ 0.0581	\$ 0.0514	\$ 0.0392	\$ 0.0429	\$ 0.0509	\$ 0.0428	\$ 0.0550	\$ 0.0561	\$ 0.0448	\$ 0.0570	\$ 0.0592	\$ 0.0494	\$ 0.0623	\$ 0.0603	\$ 0.1136

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Information Request DTE-CEL-2-18

Please refer to Exhibit CEL-RHM-1 at pages 7 and 8. With respect to the process used by Vermont Yankee to sell the Station, please answer the following questions:

- (a) Page 7, lines 12-13. Explain the criteria used to select the 40 companies.
- (b) Page 7, lines 15-17. Explain how AmerGen indicated its interest to purchase and operate the Station.
- (c) Page 7, lines 19-20. Explain why the negotiation of Vermont Yankee with AmerGen was not successful. Also, indicate the prices and terms for which AmerGen proposed to purchase the Station.
- (d) Page 7, lines 20-21 and page 8, lines 1-5. Please provide a copy of the Vermont Public Service Board order in VPSB Docket No. 6300 referred to in the testimony.
- (e) With respect to (d) above, state the date when Vermont Yankee originally decided to seek divestiture of the Station and the date when the AmerGen's proposal was dismissed. On what basis did Vermont Yankee evaluate the market for nuclear assets on those dates? State the market price for nuclear assets on those dates.
- (f) Page 7, lines 5-15. Who were the bidders? Provide their names and their respective bids.
- (g) Page 7, lines 18-19. Please provide the PPA terms under the AmerGen proposal. In addition, submit a table in the same format as CEL-BKR-2 for the AmerGen proposal.
- (g) Explain how the auction agent J.P. Morgan was compensated. Provide the total cost paid to the auction agent J.P. Morgan to conduct that auction of the Station. Indicate where the total cost paid to J.P. Morgan is located in Exhibit CEL-BKR-2.

Response

- (a) Vermont Yankee and its Sponsor companies utilized their general knowledge of the nuclear industry in identifying entities that could potentially have an interest in purchasing and the experience to operate a nuclear generating plant.
- (b) In August 1997, AmerGen first approached Vermont Yankee to explore the possibility of purchasing the Station. These discussions did not lead to any preliminary understandings on which a sale could be negotiated. Vermont Yankee decided to solicit expressions of interest in buying the Station at the time it issued the September 8, 1998 letter mentioned in the testimony.

On February 25, 1999, Vermont Yankee and AmerGen executed an agreement providing AmerGen the exclusive right for a limited period to negotiate to purchase the plant assets. This process culminated in an Asset Purchase Agreement, which is included as Attachment DTE-CEL-2-18(1). Cambridge included this document as Exhibit CEL-MRK-3 in docket D.T.E. 00-9, as part of Cambridge's petition for approval of the 1999 Amendatory Agreement between Vermont Yankee and Cambridge.

- (c) Vermont Yankee did, in fact, enter into a contract with AmerGen for AmerGen to purchase the Vermont Yankee plant, as referenced below. However, this contract failed to receive requisite state regulatory approval in Vermont. Please see Attachment DTE-CEL-2-18(2) for a copy of the Order of the Vermont Public Service Board dated February 14, 2001 dismissing the petition of Vermont Yankee Nuclear Power Corporation for the proposed sale of the Station to AmerGen. The order discusses the principal terms of the AmerGen proposal, including amendments, as well as the rationale for the Board's dismissal order. Please see Attachment DTE-CEL-2-18(3) for a copy of the Order of the Vermont Public Service Board dated March 15, 2001 closing the docket pertaining to the proposed AmerGen sales transaction.

Please see Attachment DTE-CEL-2-18(4) for a copy of the testimony of Michael R. Kirkwood in D.T.E. 00-9 (Exhibit CEL-MRK-1). On pages 10 and 11 of his testimony, Mr. Kirkwood

outlines the principal terms and prices of the sales transaction under the Asset Purchase Agreement, including: Vermont Yankee would sell substantially all of the Station's non-transmission assets to AmerGen for an unadjusted purchase price estimated at \$23.5 million (assuming a July 1, 2000 closing); AmerGen would assume essentially all of the liabilities associated with the Station's operation, including full responsibility for decommissioning of the Station; Vermont Yankee would top off its decommissioning trust fund at \$289 million effective January 1, 2000, assuming a July 1, 2000 closing; AmerGen would sell to Vermont Yankee 61.5 percent of the Station's output, to be resold to specified Sponsors under the 1999 Amendatory Agreements.

- (d) Please see Attachment DTE-CEL-2-18(2) and Attachment DTE-CEL-2-18(3).
- (e) Vermont Yankee decided to solicit expressions of interest in buying the Station at the time it issued the September 8, 1998 letter mentioned in the testimony. The Vermont Public Service Board Order dismissing the sale petition for the AmerGen transaction is dated February 14, 2001. A chart showing sales statistics for comparable units during this period is shown below:

Summary of cash consideration paid for comparable<sup>1</sup> nuclear units:

Announcement date Asset	Net capacity (MW)	Net generation (MM MWh)	Transaction size (\$MM) <sup>2</sup>	Valuation \$000/MW	\$/MWh
12/12/00 NMP-1	609	3.9	\$ 290	\$ 475	\$ 74
9/14/99 Oyster Creek	619	5.1	10	16	2
6/30/99 Clinton	940	6.5	20	21	3
11/19/98 Pilgrim	670	4.3	90	134	21
7/17/98 TMI 1	786	5.9	100	127	17
Low				16	2
Median				127	17
High				475	74
The Station	510	4.2	\$ 180	\$ 353	\$ 43

<sup>1</sup> Units included in table are deemed comparable based on the fact that they are all BWR units of comparable size. With the exception of the NMP unit, all units included herein are single-unit sites, similar to the Station.

<sup>2</sup> Purchase price does not include value of PPAs or revenue-sharing agreements, true-up of decommissioning trust funds, or other adjustments; does include value for nuclear fuel, non-fuel inventory, and switchyard, if appropriate.

- (f) Please see the response to Information Request AG-1-3 for a copy of all of the bids received by Vermont Yankee under the current auction process.
- (g) Please see Attachment DTE-CEL-2-18(5) for a copy of the AmerGen PPA. Cambridge included this document as Exhibit CEL-MRK-7 in docket D.T.E. 00-9. Please see Attachment DTE-CEL-2-18(6) for a schedule of Cambridge's obligations under the 1999 Amendatory Agreement. Cambridge included this document as Exhibit CEL-RHM-2 in docket D.T.E. 00-9.
- (h) Please see Attachment AG-1-26(a) for a copy of the executed contract between Vermont Yankee and J.P. Morgan. The current estimate of payment to J.P. Morgan is \$3.0 million (see response to Information Request AG-1-17). Estimated payments to J.P. Morgan are included in the "Other" line item in Exhibit CEL-BKR-2.

JPMorgan and Vermont Yankee have agreed to terms under which JPMorgan will be paid a flat fee of \$2,750,000 upon consummation of a sale of the Vermont Yankee Nuclear Power Station. If the sale is not consummated, JPMorgan will receive none of this fee.

In either case, JPMorgan will be reimbursed for its expenses, which are largely related to travel in connection to the auction. These expenses are still accruing, and have not yet been totaled.